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C O N F I D E N T I A L SECTION 01 OF 02 BUCHAREST 001811

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SUBJECT: CONSERVATIVE PARTY WITHDRAWS FROM GOVERNING
COALITION

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¶1. (SBU) Summary. Prime Minister Calin Popescu Tariceanu's government no longer holds a legislative majority following the Conservative Party's December 3 decision to leave the governing coalition. The resulting minority government could be ousted by a motion of no-confidence, but unless the opposition Social Democrats see a benefit to early elections or the Democrats withdraw from the government, Tariceanu is unlikely to step down as prime minister. The possibility of a reformed alliance between PD and the PNL dissidents remains the largest looming threat to Tariceanu's continued premiership. End summary.

¶2. (SBU) The Conservative Party (PC), a junior partner of the governing coalition, decided on December 3 to withdraw from the coalition government. PC President Dan Voiculescu accused his coalition partners of routinely opposing his party's legislative initiatives. The PC had considered exiting the government last June for the same reasons, but chose to remain, it said, in order to ensure Romania's prospects for joining the EU on January 1, 2007 were not jeopardized. The PC, however, conditioned its support for the government on the coalition's support for a number of legislative initiatives, including on reducing the VAT for food stuffs from 19 percent to 9 percent and on zero taxation for commercial profits used for re-investment. The coalition partners' general response at that time was that they would not be "blackmailed" by a minor member of the coalition.

¶3. (SBU) In its December 3 resolution, the PC claimed fulfillment of its mission contributing to a stable government that would get Romania into the EU on January 1, 2007. Party leaders also accused President Traian Basescu and the Democratic Party (PD) of generating a serious political crisis by attempting to change the configuration of the government. PC ministers, state secretaries, and other officials were ordered to resign. The PC thus lost the positions of deputy prime minister, the important portfolio of minister of economy and trade, and six deputy minister positions. The PC legislators - 19 deputies (6 percent of deputies) and 11 senators (8 percent of senators) will switch to the opposition. However, some PC representatives are expected to defect to other parties after publicly announcing their opposition to the party's decision to leave the government. The Chief of the National Agency for Small and Medium Enterprises, for example, announced on December 3 that he was resigning from the party in order to retain his position in the government.

¶4. (SBU) The PC's exit from the governing coalition not only formalizes the government's minority status, but also compounds the government's increasingly precarious margin of political support since the Stoica-Stolojan-Musca group of PNL "platformist" legislators announced their opposition to party leader and PM Calin Popescu-Tariceanu. The PC's exit

means that in the Chamber of Deputies, the three remaining parties of the governing coalition -- the National Liberal Party (PNL), the Democratic Party (PD) and the party of the Hungarian minority (UDMR) -- can rely only on 140 votes, as compared with 156 votes held the opposition parties -- the Social-Democratic Party (PSD), the Greater Romania Party (PRM) and now the PC. In the Senate, the ratio between the government and the opposition is 60 to 72. Interestingly, on December 4, the Democrats and Liberals felt it necessary to announce that neither party has plans to leave the coalition.

The Democrats also announced the start of discussions with the PNL dissidents to ensure they remain within the PNL-PD alliance.

15. (C) It remains unclear how long the now-minority Tariceanu government can continue to keep its head above the political waters. Clearly, President Basescu and many members of the PD would like to see the Prime Minister fall, and replace him with an interim Prime Minister like Stolojan who would be a much more comfortable political partner. At a minimum, the government will now have to rely on a boost from the opposition side of the aisle to pass legislation. While the Social Democrats could topple the government in a no-confidence motion, they are unlikely to do so while they are reorganizing internally. A new election in the near term would jeopardize as much as a third of Social Democratic electoral support compared with the PSD's 2004 results. As long as the Social Democrats remain uninterested in early elections, a minority government, no matter how weak, could theoretically be sustained. The conventional wisdom is that most parties and legislators would lose seats in an early parliamentary election.

16. (C) Comment. The first test of the minority government

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will be the upcoming vote on the budget. The PSD has already announced it will vote against it, but neither PC nor the liberal dissidents are willing for now to take this opportunity to push the PM and his government to the edge of the precipice. But Basescu appears to be holding the end of the carpet on which Tariceanu is standing, and he can yank it a little at a time, or all at once when his patience runs out. As tensions between the two parties and between the PM and the President mount, the PD might in the end opt to itself withdraw from the coalition, forcing the PM to resign.

End comment.

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